



Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, AUGUST 13, 1998
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TWO NORTHERN VIRGINIA REAL ESTATE SPECTATORS INDICTED IN BID-RIGGING SCAM

WASHINGTON, D.C. – A federal grand jury today indicted two northern Virginia real estate speculators for participating in a criminal bid-rigging scheme to hold down prices at residential real estate auctions in northern Virginia, the Justice Department announced.

Today's charges are a result of the Department's ongoing antitrust investigation into foreclosure auction bid rigging in northern Virginia.

The Indictment, filed in U.S. District Court in Alexandria, charges Kenneth R. Arnold, of Fairfax Station, and Alan Shams, of McLean, with conspiring with a group of real estate speculators who agreed not to bid against each other at real estate foreclosure auctions in northern Virginia. Their agreement allowed them to buy real estate for low, noncompetitive prices.

Arnold's involvement in the bid-rigging scam began at least as early as August 1991, and continued through April 1995. Shams joined the conspiracy as early as 1994.

According to the charges, the conspirators would suppress bidding at public auctions, allowing a designated bidder to purchase property. They would later meet secretly to hold a second auction at which each conspirator would bid an amount above

the public auction price. The conspirator who bid the highest amount won the property. The difference between the public auction price and the secret auction price was the group's illicit profit, and it was divided among the conspirators in payoffs made later.

Arnold also was charged with mail fraud in connection with mailing a payoff in the furtherance of the bid-rigging scheme.

"This case is the next step in our ongoing aggressive efforts to stop this bid-rigging scam," said Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division. "We will continue to prosecute it vigorously, with help from the FBI."

Twelve individuals and one corporation were convicted between 1989 and 1991 after the Department's previous investigation of real estate auction bid rigging in Washington, D.C.

Two other individuals, Mija S. Romer and Khem C. Batra, were convicted of the northern Virginia bid-rigging charge following a trial in January 1997. In addition, six other individuals, Alexander C. Giap, Leo E. Gulley, Donald M. Kotowicz, G. Frank Stinnett, Patricia A. Remele, and Lawrence L. Rosen, already have pleaded guilty as part of the same bid-rigging scheme.

The Department's Antitrust Division and Helen F. Fahey, U.S. Attorney in Alexandria worked jointly to bring about today's charges.

Klein said the northern Virginia antitrust investigation, which is being conducted by the Division's Litigation I Section with the assistance of the Federal Bureau of Investigation, is continuing.

Arnold faces imprisonment of up to eight years and fines of up to \$600,000 or more depending on losses created by the crime. Shams faces imprisonment of up to three years and a fine of \$350,000 or more depending on losses created by the crime.

The maximum penalty for a person convicted of a Sherman Act bid-rigging violation is three years' imprisonment and a fine of the greatest of \$350,000, twice the pecuniary gain the person derived from the crime, or twice the pecuniary loss suffered by the victims of the crime.

The maximum penalty for a person convicted of mail fraud is five years' imprisonment and a fine of the greatest of \$250,000, twice the pecuniary gain the person derived from the crime, or twice the pecuniary loss suffered by the victims of the crime.

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